

**UTAH RURAL JOBS ACT AMENDMENTS**

2022 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Nelson T. Abbott**

Senate Sponsor: Chris H. Wilson

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**LONG TITLE**

**Committee Note:**

The Revenue and Taxation Interim Committee recommended this bill.

Legislative Vote: 16 voting for 0 voting against 3 absent

**General Description:**

This bill modifies the Utah Rural Jobs Act.

**Highlighted Provisions:**

This bill:

- ▶ requires each eligible small business that receives a growth investment to submit a document that directs and authorizes the State Tax Commission to disclose to the GO Utah office the eligible small business's returns;
- ▶ addresses the method for allocating new annual jobs at an eligible small business that receives a growth investment from more than one rural investment company;
- ▶ establishes a deadline for each rural investment company to exit the program; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:



28 [63N-4-302](#), as last amended by Laws of Utah 2020, Chapter 354

29 [63N-4-305](#), as enacted by Laws of Utah 2017, Chapter 274

30 [63N-4-307](#), as enacted by Laws of Utah 2017, Chapter 274

31 [63N-4-309](#), as enacted by Laws of Utah 2017, Chapter 274



33 *Be it enacted by the Legislature of the state of Utah:*

34 Section 1. Section [63N-4-302](#) is amended to read:

35 **[63N-4-302](#). Definitions.**

36 As used in this part:

37 (1) (a) "Affiliate" means a person that directly, or indirectly through one or more  
38 intermediaries, controls, is controlled by, or is under common control with another person.

39 (b) For the purposes of this part, a person controls another person if the person holds,  
40 directly or indirectly, the majority voting or ownership interest in the controlled person or has  
41 control over the day-to-day operations of the controlled person by contract or by law.

42 (2) "Claimant" means a resident or nonresident person that has state taxable income.

43 (3) "Closing date" means the date on which a rural investment company has collected  
44 all of the investments described in Subsection [63N-4-303](#)(7).

45 (4) (a) "Credit-eligible contribution" means an investment of cash by a claimant in a  
46 rural investment company that is or will be eligible for a tax credit as evidenced by notification  
47 issued by the office under Subsection [63N-4-303](#)(5)(c).

48 (b) The investment shall purchase an equity interest in the rural investment company or  
49 purchase, at par value or premium, a debt instrument issued by the rural investment company  
50 that has a maturity date at least five years after the closing date.

51 (5) "Eligible small business" means a business that at the time of an initial growth  
52 investment in the business by a rural investment company:

53 (a) has fewer than 150 employees;

54 (b) has less than \$10,000,000 in net income for the preceding taxable year;

55 (c) maintains the business's principal business operations in the state; and

56 (d) is engaged in an industry related to:

57 (i) aerospace;

58 (ii) defense;

59 (iii) energy and natural resources;

60 (iv) financial services;

61 (v) life sciences;

62 (vi) outdoor products;

63 (vii) software development;

64 (viii) information technology;

65 (ix) manufacturing; or

66 (x) agribusiness.

67 (6) (a) "Excess return" means the difference between:

68 (i) the present value of all growth investments made by a rural investment company on  
69 the day the rural investment company applies to exit the program under Section [63N-4-309](#),  
70 including the present value of all distributions and gains from the growth investments; and

71 (ii) the sum of the amount of the original growth investment and an amount equal to  
72 any projected increase in the equity holder's federal or state tax liability, including penalties and  
73 interest, related to the equity holder's ownership, management, or operation of the rural  
74 investment company.

75 (b) If the amount calculated in Subsection (6)(a) is less than zero, the excess return is  
76 equal to zero.

77 (7) "Federally licensed rural business investment company" means a person licensed as  
78 a rural business investment company under 7 U.S.C. Sec. 2009cc.

79 (8) "Federally licensed small business investment company" means a person licensed  
80 as a small business investment company under 15 U.S.C. Sec. 681.

81 (9) (a) "Full-time employee" means an employee that throughout the year works at  
82 least 30 hours per week or meets the customary practices accepted by that industry as full time.

83 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
84 office may make rules that establish additional hour or other criteria to determine what  
85 constitutes a full-time employee.

86 (10) "Growth investment" means any capital or equity investment in an eligible small  
87 business or any loan made from the investment authority to an eligible small business with a  
88 stated maturity at least one year after the date of issuance.

89 (11) (a) "High wage" means a wage that is at least 100% of the county average wage.

90 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
91 office may make rules that establish additional criteria to determine what constitutes a high  
92 wage.

93 (12) "Investment authority" means the minimum amount of investment a rural  
94 investment company must make in eligible small businesses in order for credit-eligible  
95 contributions to the rural investment company to qualify for a rural job creation tax credit  
96 under Section 59-7-621 or 59-10-1038.

97 (13) (a) "New annual jobs" means the difference between:

98 (i) (A) the monthly average of full-time employees that are paid a high wage at an  
99 eligible small business for the preceding calendar year; or

100 (B) if the preceding calendar year contains the initial growth investment, the monthly  
101 average of full-time employees that are paid a high wage at an eligible small business for the  
102 months including and after the initial growth investment and before the end of the preceding  
103 calendar year; and

104 (ii) the number of full-time employees that are paid a high wage at the eligible small  
105 business on the date of the initial growth investment.

106 (b) If the amount calculated in Subsection (13)(a) is less than zero, the new annual jobs  
107 amount is equal to zero.

108 (14) (a) "Principal business operations" means the location where at least 60% of a  
109 business's employees work or where employees that are paid at least 60% of a business's  
110 payroll work.

111 (b) For the purposes of this part, an out-of-state business that agrees to relocate  
112 employees to this state to establish the business's principal business operations in this state  
113 using the proceeds of a growth investment is considered to have the business's principal  
114 business operations in this state if the business satisfies the requirements of Subsection (14)(a)  
115 within 180 days after receiving the growth investment, unless the office agrees to a later date.

116 (15) "Program" means the provisions of this part applicable to a rural investment  
117 company.

118 (16) "Rural county" means any county in this state except Salt Lake, Utah, Davis,  
119 Weber, Washington, Cache, Tooele, and Summit counties.

120 (17) "Rural investment company" means a person approved by the office under Section

121 63N-4-303.

122 (18) (a) "State reimbursement amount" means the difference between:

123 (i) 50% of the rural investment company's credit-eligible capital contributions; and

124 (ii) the product of:

125 (A) the total sum of new annual jobs reported to the [~~state in the rural investment~~  
126 ~~company's exit report described in Section 63N-4-309~~] office; and

127 (B) \$20,000.

128 (b) If the amount calculated in Subsection (18)(a) is less than zero, the state

129 reimbursement amount is equal to zero.

130 (19) "Tax credit" means a rural job creation tax credit created by Section 59-7-621 or

131 59-10-1038.

132 (20) "Tax credit certificate" means a certificate issued by the office that:

133 (a) lists the name of the person to which the office authorizes a tax credit;

134 (b) lists the person's taxpayer identification number;

135 (c) lists the amount of tax credit that the office authorizes the person to claim for the  
136 taxable year; and

137 (d) may include other information as determined by the office.

138 Section 2. Section 63N-4-305 is amended to read:

139 **63N-4-305. Revocation of tax credit certificates and exit.**

140 (1) Except as provided in Subsection (2), the office shall revoke a tax credit certificate

141 issued under Section 63N-4-304 if the rural investment company in which the credit-eligible

142 capital contribution was made does any of the following before the rural investment company

143 exits the program in accordance with Section 63N-4-309:

144 (a) fails to invest 100% of the rural investment company's investment authority in  
145 growth investments in this state within three years of the closing date;

146 (b) fails to maintain growth investments in this state equal to 100% of the rural  
147 investment company's investment authority until the seventh anniversary of the closing date in  
148 accordance with this section;

149 (c) makes a distribution or payment that results in the rural investment company having  
150 less than 100% of the rural investment company's investment authority invested in growth  
151 investments in this state or available for investment in growth investments and held in cash and

152 other marketable securities;

153 (d) fails to maintain growth investments equal to 70% of the rural investment  
154 company's investment authority in eligible small businesses that maintain their principal  
155 business operations in a rural county;

156 (e) invests more than \$5,000,000 from the investment authority in the same eligible  
157 small business, including amounts invested in affiliates of the eligible small business, exclusive  
158 of growth investments made with repaid or redeemed growth investments or interest or profits  
159 realized on the repaid or redeemed growth investments; [~~or~~]

160 (f) makes a growth investment in an eligible small business that directly, or indirectly  
161 through an affiliate:

162 (i) owns or has the right to acquire an ownership interest in the rural investment  
163 company, an affiliate of the rural investment company, or an investor in the rural investment  
164 company; or

165 (ii) makes a loan to or an investment in the rural investment company, an affiliate of  
166 the rural investment company, or an investor in the rural investment company[-]; or

167 (g) fails to timely provide a document described in Subsection [63N-4-307\(1\)\(d\)](#).

168 (2) (a) (i) For the purposes of Subsection (1), an investment is maintained even if the  
169 investment is sold or repaid if the rural investment company reinvests an amount equal to the  
170 capital returned or recovered by the fund from the original investment, exclusive of any profits  
171 realized, in other growth investments in this state within 12 months of the receipt of such  
172 capital.

173 (ii) Amounts received periodically by a rural investment company are treated as  
174 continually invested in growth investments if the amounts are reinvested in one or more growth  
175 investments by the end of the following calendar year.

176 (iii) A rural investment company is not required to reinvest capital returned from  
177 growth investments after the sixth anniversary of the closing date and such growth investments  
178 are considered as being held continuously by the rural investment company through the seventh  
179 anniversary of the closing date.

180 (b) (i) Subsection (1)(f) does not apply to investments in publicly traded securities by  
181 an eligible small business or an owner or affiliate of an eligible small business.

182 (ii) Under Subsection (1)(f), a rural investment company is not considered an affiliate

183 of a business concern solely as a result of the rural investment company's growth investment.

184 (c) A growth investment in an eligible small business that is not located in a rural  
185 county may count toward the requirements of Subsection (1)(d) if the office determines that the  
186 eligible small business is located in an economically disadvantaged rural area as defined by  
187 rules made by the office in accordance with Title 63G, Chapter 3, Utah Administrative  
188 Rulemaking Act.

189 (3) (a) Before revoking one or more tax credit certificates under this section, the office  
190 shall notify the rural investment company of the reasons for the pending revocation.

191 (b) If the rural investment company corrects any violation outlined in the notice to the  
192 satisfaction of the office within 90 days after the day on which the notice was sent, the office  
193 may not revoke the tax credit certificate.

194 (c) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
195 office may make rules that establish criteria to determine what constitutes a correction under  
196 Subsection (3)(b).

197 (4) If tax credit certificates are revoked under this section:

198 (a) (i) the rural investment company shall make a cash distribution to the office in an  
199 amount equal to the sum of all tax credits awarded to persons that have made credit-eligible  
200 contributions to the rural investment company; and

201 (ii) if the rural investment company is able to provide documentation to the office that  
202 proves that a tax credit described in Subsection (4)(a)(i) has not been claimed, the amount  
203 owed under Subsection (4)(a)(i) shall be reduced by the amount of the unclaimed tax credit;

204 (b) the rural investment company's investment authority and credit-eligible capital  
205 contributions will not count toward the limits on the program size described in Subsection  
206 [63N-4-303\(6\)](#);

207 (c) if the office awards lapsed investment authority to a rural investment company, the  
208 office shall first award lapsed investment authority pro rata to each rural investment company  
209 that was awarded less than the requested investment authority under Subsection

210 [63N-4-303\(6\)\(d\)](#), which a rural investment company may allocate to the rural investment  
211 company's investors at the rural investment company's discretion; and

212 (d) the office may award any remaining investment authority to new applicants.

213 (5) The office may not revoke a tax credit certificate after a rural investment company

214 has exited the program in accordance with Section [63N-4-309](#).

215 Section 3. Section [63N-4-307](#) is amended to read:

216 **[63N-4-307. Reporting obligations -- Authorization to disclose tax information --](#)**  
217 **Credit for new annual jobs.**

218 (1) A rural investment company shall submit an annual report to the office on or before  
219 the last day of February for each [~~previous~~] preceding calendar year until the rural investment  
220 company has exited the program in accordance with Section [63N-4-309](#). The annual report  
221 shall provide documentation as to the rural investment company's growth investments and  
222 include:

223 (a) a bank statement evidencing each growth investment;

224 (b) the name, location, and industry of each business concern receiving a growth  
225 investment, including either the determination letter set forth in Section [63N-4-306](#) or evidence  
226 that the business qualified as an eligible small business at the time the investment was made;

227 (c) the number of new annual jobs at each eligible small business for the preceding  
228 calendar year, accompanied by a report from a third-party accounting firm attesting that the  
229 number of new annual jobs was calculated in accordance with procedures approved by the  
230 office; [~~and~~]

231 (d) unless provided in a previously submitted annual report, for each eligible small  
232 business to which the rural investment company provided a growth investment during the  
233 preceding calendar year, a document that expressly directs and authorizes the State Tax  
234 Commission to disclose to the office the eligible small business's returns and other information  
235 that would otherwise be subject to confidentiality under Section [59-1-403](#); and

236 [~~(d)~~] (e) any other information required by the office.

237 (2) For the annual report due in 2022, each rural investment company shall submit the  
238 documents described in Subsection (1)(d) on or before July 1, 2022.

239 [~~(2)~~] (3) (a) Within 60 days of receipt of an annual report, the office shall provide  
240 written confirmation to the rural investment company of the number of new annual jobs the  
241 rural investment company has been credited with for the [~~previous~~] preceding calendar year.

242 (b) When granting credit for one or more new annual jobs at an eligible small business  
243 that received or held a growth investment from more than one rural investment company during  
244 the preceding calendar year, the office shall allocate credit for each new annual job between the

245 rural investment companies in proportion to each rural investment company's share of the total  
246 growth investments the eligible small business received during the calendar year.

247 ~~[(3)]~~ (4) By the fifth business day after the third anniversary of the closing date, a rural  
248 investment company shall submit a report to the office providing evidence that the rural  
249 investment company is in compliance with the investment requirements of Section 63N-4-305.

250 (5) (a) The office shall submit the document described in Subsection (1)(d) to the State  
251 Tax Commission.

252 (b) Upon receipt of a document described in Subsection (1)(d), the State Tax  
253 Commission shall provide the office with the returns and other information the office requests  
254 and that the State Tax Commission is directed and authorized to provide.

255 Section 4. Section 63N-4-309 is amended to read:

256 **63N-4-309. Exit.**

257 (1) On or after the seventh anniversary of the closing date, ~~[a]~~ and on or before the  
258 ninth anniversary of the closing date, each rural investment company ~~[may]~~ shall apply to the  
259 office to exit the program and no longer be subject to this part.

260 (2) An application submitted under Subsection (1) shall be in a form and in accordance  
261 with procedures prescribed by the office and shall include a calculation of the state  
262 reimbursement amount.

263 ~~[(3) In evaluating the exit application, if no tax credit certificates have been revoked~~  
264 ~~and the rural investment company has not received a notice of revocation that has remained~~  
265 ~~uncorrected under Subsection 63N-4-305(3)(b), the rural investment company is eligible for~~  
266 ~~exit.]~~

267 ~~[(4)]~~ (3) (a) The office shall respond to the application within 30 days of receipt and  
268 include confirmation of the state reimbursement amount.

269 (b) The office shall not unreasonably deny an application submitted under this section.

270 (c) If the office denies the application, the office shall provide the reasons for the  
271 determination to the rural investment company.

272 (4) If a rural investment company fails to submit an exit application in accordance with  
273 Subsection (1), the office shall:

274 (a) calculate the state reimbursement amount using the best available information; and

275 (b) provide the confirmation described in Subsection (3)(a) within 30 days of the ninth

276 anniversary of the closing date.

277 (5) Within 60 days after the day on which the confirmation of the state reimbursement  
278 amount is received by the rural investment company, the rural investment company shall make  
279 a cash distribution to the state in an amount equal to the lesser of:

280 (a) the state reimbursement amount; and

281 (b) the excess return.

282 (6) The office shall notify the rural investment company once payments equal to the  
283 amount described in Subsection [~~4~~] (3) have been received.

284 (7) Any amounts collected under this section shall be deposited into the General Fund.